1973 Annual Report

serving the western consumer

Fields Stores Limited

Fields Stores Limited
1973 Annual Report

Directors

Joseph Segal
President and Chief Executive Officer, Fields Stores Limited

C. Frederick Graves
Vice-President, Fields Stores Limited

Morley Koffman
Barrister and Solicitor, Secretary, Fields Stores Limited

John G. Chaston
President, Pemberton Securities Limited

John E. Hoegg
President, Grouse Mountain Resorts Ltd.

W. Cecil Wakely
President, Wakely Insurance Agencies Ltd.

Morris J. Wosk
President, Blue Boy Motor Hotel Limited.

Officers

Joseph Segal
President and Chief Executive Officer

C. Frederick Graves
Vice-President

Morley Koffman
Secretary

Solicitors
Freeman, Freeman, Silvers & Koffman

Auditors
Deloitte, Haskins & Sells, Chartered Accountants

Transfer Agents
Canada Permanent Trust Co.,
Vancouver, B.C. and Toronto, Ont.

Bankers
Bank of Montreal

Listed
Vancouver Stock Exchange and Toronto Stock Exchange
Symbol — FSL

Head Offices
549 Carrall Street
Vancouver, B.C.

Subsidiary Companies

Columbia Stores Limited, Vancouver
Commercial Distributors Ltd., Vancouver
Diamond & Co. Ltd., Winnipeg
George A. Meikle Limited, Vancouver
Imperial Imports Ltd., Vancouver
J. Leckie Co. Ltd., Vancouver
Lounge Fashion Clothes Ltd., Vancouver
MacKenzies Ltd., Vancouver
Marshall Wells Limited, Winnipeg
Marshall Wells Realty Limited, Winnipeg

Federated Discount Stores Ltd.
Fields Pants Plus Casual Wear Ltd.
Gordon and Belyea Limited
Harbrook Knitting Mills Ltd.
Marshall Wells Paints Limited
Woodham Developments Ltd.
Zenith Sales Company Limited
Zenith Hardware Co. Ltd.

FIELDS STORES LIMITED

Head Office

549 Carrall Street

Vancouver 1, B.C.

FIELDS

Fields Stores Limited

INTERIM REPORT
To the Shareholders

FOR THE SIX MONTHS ENDED JUNE 30, 1973

To the Shareholders:

Your company's sales and earnings have increased substantially during the six months to June 30, 1973 compared to the same period in the previous year.

Sales for the first six months were $30,291,495 compared with $16,490,141 for 1972, while net earnings rose by 42 percent to $1,222,992 or 54.1 cents per share, compared to $859,840 or 38.2 cents per share.

Pre-tax operating margins for those divisions operated in 1972 were maintained at the same rate as the prior year, despite higher interest costs.

Sales and earnings of Marshall Wells Limited, which are included in the current year's figures, have exceeded budget for the period under review, and the overall performance of this company has proved most satisfactory in the early stage of association with Fields.

The rapid expansion of Fields and increasing involvement by your company throughout all of Western Canada has pointed up the need for an expert in store location and development and this addition has been made to our staff. Your company will now be able to survey, more closely, new markets throughout Western Canada and the expertise of new store development now available to us will be of considerable assistance in expansion plans for the next few years.

Fields opened two new branches during the second quarter of the year and expanded one existing location in Vancouver. Another six stores are scheduled to open in the third and fourth quarters and we anticipate that the number of retail outlets in operation at the year end will be 74. Total retail sales area is expected to increase from 510,000 square feet at last year end to 675,000 at December 31, 1973. Other locations are being considered which may result in further store openings in 1973.

The most significant recent expansion was the acquisition by Fields on June 29, 1973, of all the issued shares of Columbia Stores Ltd. This company is made up of 13 stores in British Columbia and adds a total of 63,000 square feet to our retail selling space. The company was purchased for cash at a price below book value, and its financial results will be consolidated beginning in the third quarter.

We expect that two of the Columbia Stores may be closed in the future as they are located in areas already served by Fields.

Your company is now moving into the fall season, which traditionally has accounted for about 60 percent of sales volume. Fields' buyers have ensured sufficient stock on hand to maintain a good sales level throughout the remainder of the year, and we anticipate that consumer demand will continue to be strong for this period.

Our new enlarged distribution centre is now capable of servicing an increased number of outlets and keeping pace with future growth.

Your directors look to the third quarter and the year end with considerable optimism.

On behalf of the Board

Joseph Segal
President

August 2, 1973
Vancouver, B.C.

FIELDS STORES LIMITED
and its subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS
FOR THE SIX MONTHS ENDED JUNE 30, 1973
(with comparative figures for 1972)
(not audited)

	1973	1972
SALES	$30,291,495	$16,490,141
Deduct Concession Sales	193,147	173,837
NET SALES	30,098,348	16,316,304
COST OF GOODS SOLD AND OPERATING EXPENSES BEFORE THE FOLLOWING	27,037,505	14,106,924
Depreciation and amortization	213,298	137,936
Interest—current	132,298	80,205
—long term	328,263	59,697
	27,711,364	14,384,762
EARNINGS FROM OPERATIONS BEFORE INCOME TAXES AND MINORITY INTERESTS	2,386,984	1,931,542
INCOME TAXES		
Current	1,189,778	888,931
Deferred	31,350	44,000
	1,221,128	932,931
	1,165,856	998,611
MINORITY INTERESTS	50,714	138,771
EARNINGS BEFORE EXTRAORDINARY ITEMS	1,115,142	859,840
EXTRAORDINARY ITEMS		
Reduction in income taxes on application of loss incurred by subsidiary prior to acquisition	70,600	
Gain on disposal of fixed assets	37.250	
NET EARNINGS FOR THE PERIOD	$ 1,222,992	$ 859,840
EARNINGS PER SHARE BEFORE EXTRAORDINARY ITEMS	49.4¢	38.2¢
NET EARNINGS PER SHARE	54.1¢	38.2¢
(Shares issued: 1973 — 2,259,186; 1972 — 2,249,821)		

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS
FOR THE SIX MONTHS ENDED JUNE 30, 1973
(with comparative figures for 1972)
(not audited)

	1973	1972
SOURCE OF FUNDS		
Net earnings	$ 1,222,992	$ 859,840
Deduct gain on disposal of fixed assets	37,250	
	1,185,742	859,840
Depreciation and amortization	213,298	137,936
Amortization of other non-current assets	15,000	
Deferred income taxes	31,350	44,000
Earnings of minority interests	50,714	138,771
Provided from operations	1,496,104	1,180,547
Agreements payable by newly acquired subsidiary	28,338	
Issue of shares	21,510	33,030
Decrease in other assets	17,638	338
	1,563,590	1,213,915
USE OF FUNDS		
On acquisition of subsidiary		
Fixed assets	170,587	
Mortgage	9,134	
Purchase of other fixed assets (net)	493,392	1,630,398
Reduction in long-term debt	430,294	5,278
Dividends paid	112,832	
	1,216,239	1,635,676
INCREASE IN WORKING CAPITAL	347,351	(421,761)
WORKING CAPITAL BEGINNING OF PERIOD	12,287,671	6,473,777
WORKING CAPITAL END OF PERIOD	$12,635,022	$ 6,052,016

FIELDS STORES LIMITED
Head Office:
549 Carrall Street
Vancouver, B.C.

FIELDS

Fields Stores Limited

INTERIM REPORT To the Shareholders

FOR THE SIX MONTHS ENDED JUNE 30

1974

To the Shareholders:

Sales for the six months ended June 30, 1974 increased by 22% to $37,024,611 compared with $30,291,495 for the same period in 1973.

Net earnings were $1,485,714 or 65.4¢ per share for an increase of 21.5% from $1,222,992 or 54.1¢ per share last year. This result is particularly encouraging during the present period of inflationary pressures on operating costs.

Working capital increased by $857,683 during the six months ended June 30, 1974. Operations provided $1,751,908 and $594,249 was obtained from the disposal of fixed assets. Long term debt was reduced by $1,158,575.

Retail sales in the second quarter of 1974 increased by 30% over the same period in 1973, despite adverse weather conditions which affected the sale of summer clothing. The rate of growth of sales and earnings, however, for the second quarter of 1974 was below that for the first three months. This was largely due to delays in shipments from the second quarter to the third quarter by the importing divisions, as a result of uncertainty by their customers regarding the removal of the federal sales tax on clothing and footwear.

Marshall Wells' growth of sales and earnings continues to exceed earlier estimates and we anticipate this trend to continue throughout the year.

The extraordinary high cost of financing has slowed down the normally bouyant shopping centre development industry and many new prospects in which we are interested, have been postponed until 1975. Our planned new store program for the second half of 1974 has accordingly been reduced. However, two new units are scheduled to open in the fourth quarter. Both are in British Columbia; one in Prince Rupert and the other in Prince George. These areas are markets of considerable interest to the company.

Traditionally, the Fall season has contributed the major portion of your company's annual sales and earnings and we look forward to a strong demand for the popular-priced merchandise offered by your company.

On behalf of the Board

J. Segal
President

August 16, 1974.
Vancouver, B.C.

FIELDS STORES LIMITED
and its subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS
FOR THE SIX MONTHS ENDED JUNE 30, 1974
(with comparative figures for 1973)
(not audited)

	1974	1973
SALES	$37,024,611	$30,291,495
Deduct concession sales	225,633	193,147
NET SALES	36,798,978	30,098,348
COSTS AND EXPENSES		
Cost of sales	25,916,445	21,472,721
Selling, general and administrative expenses	7,151,072	5,564,784
Depreciation and amortization	270,353	213,298
Interest — long-term debt	407,247	328,263
— other	223,073	132,298
	33,968,190	27,711,364
EARNINGS FROM OPERATIONS BEFORE INCOME TAXES AND MINORITY INTERESTS	2,830,788	2,386,984
INCOME TAXES		
Current	1,417,432	1,189,778
Deferred	3,000	31,350
	1,420,432	1,221,128
	1,410,356	1,165,856
MINORITY INTERESTS	43,533	50,714
EARNINGS BEFORE EXTRAORDINARY ITEMS	1,366,823	1,115,142
EXTRAORDINARY ITEMS		
Gain on disposal of fixed assets, net of income taxes of $21,500	65,691	37,250
Reduction in income taxes on application of loss incurred by subsidiaries prior to acquisition	53,200	70,600
	118,891	107,850
NET EARNINGS	$ 1,485,714	$ 1,222,992
EARNINGS PER SHARE		
Earnings before extraordinary items	60.2¢	49.4¢
Extraordinary items	5.2¢	4.7¢
NET EARNINGS	65.4¢	54.1¢

(Shares issued: 1974 - 2,268,951; 1973 - 2,259,186)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE SIX MONTHS ENDED JUNE 30, 1974
(with comparative figures for 1973)
(not audited)

	1974	1973
SOURCES OF WORKING CAPITAL		
Provided from operations (including extraordinary income of $118,891 and in 1973 $107,850)	$ 1,751,908	$ 1,496,104
Issue of shares	49,068	21,510
Proceeds from disposal of fixed assets	594,249	—
Decrease in other assets	25,792	17,638
	2,421,017	1,535,252
USE OF WORKING CAPITAL		
Purchase of fixed assets	291,652	493,392
Dividends paid	113,107	112,832
Reduction in long-term debt	1,158,575	430,294
On acquisition of subsidiary in 1973	—	151,383
	1,563,334	1,187,901
INCREASE IN WORKING CAPITAL	857,683	347,351
WORKING CAPITAL AT BEGINNING OF PERIOD	14,065,842	12,287,673
WORKING CAPITAL AT END OF PERIOD	$14,923,525	$12,635,024

APPROVED BY THE BOARD,

J. SEGAL, Director

C. F. GRAVES, Director

Financial Highlights
Year Ended December 31, 1973

	1973	1972	Increase 1972-1973
TOTAL DOLLARS			
Sales	**$68,160,904**	$36,072,459	$32,088,445
Pre-tax Earnings	**6,141,679**	4,598,376	1,543,303
Taxes on Earnings	**3,103,046**	2,289,275	813,771
Net Earnings before Extraordinary Items	**3,038,633**	2,309,101	729,532
Extraordinary Items	**543,398**	—	543,398
Net Earnings	**3,582,031**	2,309,101	1,272,930
Working Capital	**14,065,842**	12,238,422	1,827,420
Shareholders' Equity	**16,462,443**	13,063,525	3,398,918
PER SHARE			
Sales	**30.13**	15.99	14.14
Net Earnings before Extraordinary Items	**1.34**	1.02	.32
Extraordinary Items	**.24**	—	.24
Net Earnings	**1.58**	1.02	.56
Working Capital	**6.22**	5.42	.80
Shareholders' Equity	**7.27**	5.79	1.48
Dividends Paid	**.10**	.05	.05
NUMBER OF SHARES OUTSTANDING	**2,262,136**	2,256,336	5,800

Directors' Report

Joseph Segal

Sales and earnings figures for Fields Stores Limited rose to record levels in 1973 when, for the first time, the operating results of Marshall Wells Limited were included in the statement of earnings.

This subsidiary company was acquired December 2, 1972 and only assets and liabilities were consolidated at the 1972 year end.

Sales for 1973 rose to $68,160,904, an increase of 89 percent over the preceding year. Marshall Wells operations now account for approximately one third of the company's total business.

Net earnings amounted to $3,582,031 or $1.58 per share, while earnings from operations increased by 31.6 percent to $3,038,633 or $1.34 per share, compared with $2,309,101 and $1.02 per share in 1972.

Extraordinary gains in 1973 amounted to $.24 per share.

The debenture holders of Marshall Wells Limited during 1973 approved changes in the debenture trust thereby allowing a reduction to be made in short term bank indebtedness of $3,500,000 from cash funds on hand.

Your directors expect that bank funds will continue as the prime source of financing unless a major acquisition is made, in which event there could be a requirement for additional long-term financing.

Capital expenditure in 1973 amounted to $1,370,324 including $170,587 for fixed assets acquired with the purchase of Columbia Stores. Proceeds on disposal of fixed assets totalled $920,318 including the sale in December 1973 of a shopping centre property for $850,000. Terms of this sale included a cash payment of $250,000 with the balance due within two years. Gains on the disposal of assets amounted to $375,798 net of taxes.

Working capital at December 31, 1973 amounted to $14,065,842 up $1,827,420 over the previous year.

A semi-annual dividend of five cents per share was paid in February and in August 1973.

World-wide shortages of some materials and rising prices at the wholesale and manufacturing level were characteristic of 1973. These factors, along with increased operating costs, higher interest rates, and increased rates of income tax, all had an adverse effect on the rate of profit increase during the year. However, your directors anticipate that profit margins will return to more traditional levels in 1974 and that due to the general rate of inflation, the consumer will become more value conscious and will look to the popular priced merchandise carried by your company's retail stores.

Currency revaluations in 1973 also added to the cost of merchandise for the importing division, which as a result, experienced lower profit margins in the last half of the year. However, the Canadian dollar has recently gained strength in relation to currencies of overseas suppliers and this trend should assist in the improvement of the profit performance in 1974.

The economy in Western Canada appears particularly strong for the current year with increased world demand for grain, oil and gas, lumber, fish and paper products, all of which indicates a favorable outlook for disposable income at the consumer level.

Your directors are optimistic that the company's operations, which are mainly confined to Western Canada, will enjoy another year of increased sales and earnings.

Your Directors gratefully acknowledge the dedication, expertise and enthusiasm of the personnel of Fields and its subsidiary companies and look forward to their contribution to continued development in 1974.

On behalf of the Board

Joseph Segal
President

The merchandising group meets frequently in the Board Room at Fields head office to discuss changing trends in the retail market place and to plan new marketing methods and promotion. As the number of stores has increased and the merchandise mix has expanded, so has the management group which plans and implements the purchasing and retailing functions of this Western Canadian company.

Eight Year Review

	1966 $000	1967 $000	1968 $000	1969 $000	1970 $000	1971 $000	1972 $000	1973 $000
Operating Results								
Sales	3,650	4,344	6,101	12,239	21,054	27,609	36,072	68,161
Earnings from operations before the following:	466	752	1,107	1,730	3,065	3,981	5,111	6,683
Depreciation	51	64	79	101[1]	182	229	325	468
Income taxes	188	334	520	808[1]	1,503	1,868	2,289	3,103
Minority interests	—	—	—	—	138	165	188	73
Extraordinary gain (loss)	—	—	—	59	(8)	315	—	543
Net earnings	207	354	508	880	1,234	2,034	2,309	3,582
Financial Position								
Working capital	302	562	902	4,438	5,333	6,473	12,238	14,066
Inventories	412	725	1,328	3,463	6,031	8,459	14,596	18,257
Fixed assets — net	635	698	883	2,629	3,163	4,382	8,259	8,635
Total assets	1,484	2,170	3,070	9,379	13,320	17,195	35,638	35,381
Long-term debt	18	10	36	372	380	368	8,691	7,779
Shareholders' equity	934	1,287	1,935	6,854	8,697	10,842	13,063	16,462
Per Common Share:								
Earnings before extraordinary items	$0.13	$0.22	$0.30	$0.43[2]	$0.55	$0.76	$1.02	$1.34
Net earnings	$0.13	$0.22	$0.30	$0.46[2]	$0.55	$0.90	$1.02	$1.58
Dividends paid	—	—	—	—	—	—	$0.05	$0.10
Cash flow from operations	$0.16	$0.26	$0.35	$0.55[2]	$0.75	$0.97	$1.29	$1.70
Net asset value	$0.58	$0.80	$1.16	$3.16	$3.90	$4.83	$5.79	$7.27
Ratios and Statistics								
Working capital	1.6:1	1.6:1	1.8:1	3.1:1	2.5:1	2.3:1	1.9:1	2.4:1
Number of common shares outstanding[3]	1,605,000	1,605,000	1,665,000	2,165,000	2,230,001	2,245,371	2,256,336	2,262,136
Number of shareholders[4]			1,038	1,130	1,302	1,351	1,180	1,471
Number of stores	5	8	11	17	23	43	55	70

NOTES TO EIGHT YEAR REVIEW —

1. *During 1969, the rates of depreciation were changed to conform with revised estimates of the useful life of fixed assets and the company converted from the taxes payable to the tax allocation method of providing for income taxes. Prior years figures as shown above have not been re-stated.*
2. *Based on the weighted average of 1,906,666 common shares outstanding.*
3. *Years 1966 and 1967 are re-stated to give effect to the recapitalization in 1968 and 3 for 1 stock split in 1969.*
4. *Prior to 1968 the company was a private company.*

Auditors' Report

DELOITTE, HASKINS & SELLS

Chartered Accountants

Offices across Canada and associated firms throughout the world

BOX 11114, ROYAL CENTRE, 1055 WEST GEORGIA STREET VANCOUVER, BRITISH COLUMBIA V6E 3P8

To the Shareholders of
Fields Stores Limited:

We have examined the consolidated balance sheet of Fields Stores Limited and its subsidiaries as at December 31, 1973 and the consolidated statements of earnings, retained earnings, and changes in financial position for the year then ended. Our examination of the financial statements of Fields Stores Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied upon the reports of other chartered accountants who have examined the financial statements of the other subsidiaries.

In our opinion, based on our examination and the reports of other chartered accountants referred to above, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

As required by the Companies Act, British Columbia, we also report that, in our opinion, due provision has been made in these consolidated financial statements for minority interests in subsidiaries.

Deloitte, Haskins & Sells

Auditors

Vancouver, B.C.
March 8, 1974

ASSETS	1973	1972
CURRENT ASSETS		
Cash and term deposits	$ 1,556,523	$ 5,606,861
Accounts receivable	4,169,051	4,883,903
Inventories (Note 1)	18,257,237	14,596,942
Prepaid expenses	108,435	76,770
	24,091,246	25,164,476
NON CURRENT RECEIVABLES		
Dealer notes due in instalments to 1981	286,051	304,950
Mortgages	614,094	122,830
	900,145	427,780
FIXED ASSETS (Notes 1 and 3)	8,635,066	8,259,472
UNAMORTIZED DEBT DISCOUNT AND EXPENSE (Note 1)	251,250	283,750
GOODWILL (Note 1)	1,502,865	1,502,865
	$35,380,572	$35,638,343

]alance Sheet

as at December 31, 1973 (with comparative figures at December 31, 1972)

LIABILITIES	1973	1972
CURRENT LIABILITIES		
Bank indebtedness (Note 4)	$ 2,999,125	$ 6,343,651
Accounts payable and accrued liabilities	5,635,495	5,129,587
Income and other taxes	854,906	816,816
Long-term debt due within one year	535,878	636,000
	10,025,404	12,926,054
LONG-TERM DEBT (Notes 4 and 5)	7,778,754	8,691,508
DEFERRED INCOME TAXES (Note 1)	738,930	655,011
MINORITY INTERESTS IN SUBSIDIARIES (Note 8)	375,041	302,245
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 6)	5,033,236	4,990,486
RETAINED EARNINGS	11,429,207	8,073,039
	16,462,443	13,063,525
	$35,380,572	$35,638,343

Approved by the Board,

J. Segal, Director

C.F. Graves, Director

The accompanying notes form an integral part of this financial statement.

FIELDS STORES LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS

for the year ended December 31, 1973 (with comparative figures for 1972)

	1973	1972
SALES	**$68,160,904**	$36,072,459
Deduct concession sales	**490,886**	410,602
NET SALES	**67,670,018**	35,661,857
COSTS AND EXPENSES		
Cost of sales	**49,347,407**	23,025,779
Selling, general and administrative expenses	**10,571,823**	7,127,070
Depreciation and amortization	**468,141**	325,095
Interest — long-term debt	**733,263**	183,114
— other	**334,904**	214,920
	61,455,538	30,875,978
EARNINGS FROM OPERATIONS BEFORE INCOME TAXES AND MINORITY INTERESTS	**6,214,480**	4,785,879
INCOME TAXES		
Current	**3,017,636**	2,196,475
Deferred	**85,410**	92,800
	3,103,046	2,289,275
	3,111,434	2,496,604
MINORITY INTERESTS	**72,801**	187,503
EARNINGS BEFORE EXTRAORDINARY ITEMS	**3,038,633**	2,309,101
EXTRAORDINARY ITEMS		
Gain on disposal of fixed assets, net of income taxes thereon of $24,500	**375,798**	—
Reduction in income taxes on application of loss incurred by subsidiaries prior to acquisition	**167,600**	—
	543,398	—
NET EARNINGS	**$ 3,582,031**	$ 2,309,101
EARNINGS PER SHARE (Note 6)		
Earnings before extraordinary items	**1.34**	1.02
Extraordinary items	**.24**	—
NET EARNINGS PER SHARE	**$ 1.58**	$ 1.02

The accompanying notes form an integral part of this financial statement.

FIELDS STORES LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended December 31, 1973 (with comparative figures for 1972)

	1973	1972
BALANCE AT BEGINNING OF YEAR	$ 8,073,039	$ 5,931,513
Net earnings for the year	3,582,031	2,309,101
	11,655,070	8,240,614
Dividends paid	225,863	112,491
Share issue and reorganization costs written off	—	55,084
	225,863	167,575
BALANCE AT END OF YEAR	$11,429,207	$ 8,073,039

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended December 31, 1973 (with comparative figures for 1972)

	1973	1972
SOURCES OF WORKING CAPITAL		
Provided from operations (Including extraordinary income of $167,600 in 1973)	$ 3,862,080	$ 2,914,499
Bank loans	—	5,552,207
Long-term debt and deferred income taxes of subsidiaries acquired (Note 2)	28,338	3,503,692
Issue of shares (Note 6)	42,750	79,938
Proceeds from disposal of fixed assets (Note 7)	295,818	—
Decrease in other assets	145,979	691
	4,374,965	12,051,027
USES OF WORKING CAPITAL		
On acquisition of subsidiaries (Note 2)		
Fixed assets	170,587	1,654,312
Other non-current assets	10,266	706,451
Purchase of other fixed assets	1,199,737	2,547,771
Purchase of additional share interest in partially-owned subsidiaries	—	836,937
Dividends paid	225,863	112,491
Reduction in long-term debt	941,092	428,420
	2,547,545	6,286,382
INCREASE IN WORKING CAPITAL	1,827,420	5,764,645
WORKING CAPITAL AT BEGINNING OF YEAR	12,238,422	6,473,777
WORKING CAPITAL AT END OF YEAR	$14,065,842	$12,238,422

The accompanying notes form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

(a) Principles of consolidation. The consolidated financial statements include the accounts of all active subsidiaries. The results of the operations of subsidiary companies have been included only from the date of acquisition, and provision has been made for minority interests. The purchase method has been used in accounting for the acquisition of all subsidiaries. The subsidiaries whose accounts are consolidated in these financial statements are:

Columbia Stores Limited
Diamond and Co. Ltd.
George A. Meikle Ltd.
Harbrook Knitting Mills Ltd.
Imperial Imports Ltd.
J. Leckie Co. Ltd.
Lounge Fashion Clothes Ltd.
MacKenzies Limited
Marshall Wells Limited
Marshall Wells Realty Limited
Marshall Wells Paints Limited

The financial years of the above subsidiaries coincide with that of the company except for Marshall Wells Limited and its subsidiaries, whose financial years end in the last complete week of January. For operating purposes these companies have retained different fiscal year-ends. For the purpose of consolidation the financial position and operating results of Marshall Wells Limited and its subsidiaries for the twelve months ended December 31, 1973 are included in these consolidated financial statements.
There are other subsidiaries which are inactive and have neither assets nor liabilities and which are maintained only for general corporate purposes.

(b) Inventories. Inventories are valued at the lower of cost or estimated net realizable value less normal profit margins.

(c) Fixed Assets. All fixed assets are recorded at cost, which for land includes $707,986, representing the excess of the purchase price over the book value of net assets of certain subsidiaries. Depreciation and amortization are provided generally on a straight line basis designed to write off the assets over their estimated useful life as follows:

Buildings	20-40 years
Fixtures and equipment	10 years
Leasehold improvements	5-10 years

(d) Unamortized debt discount and expense. These costs are being amortized at the rate of $30,000 per annum over the term of the debentures.

(e) Goodwill. Goodwill is carried at cost and consists primarily of the excess of the purchase price of investments in subsidiaries over the related share of the book value of net assets acquired at the dates of acquisition, except as noted in paragraph (c) above, and is carried in the accounts without amortization.

(f) Income taxes. The company and its subsidiaries follow the deferral method of income tax allocation. Capital cost allowances and certain other expenses claimed for income tax purposes exceed the related depreciation and other expenses recorded in the accounts, resulting in a deferred income tax liability.
As at December 31, 1973 Columbia Stores Limited has a loss carry-forward for income tax purposes of $250,638 which arose prior to the date of acquisition. The potential future tax reduction which may result from the application of these losses will be recorded as extra-ordinary income in the periods in which these losses are utilized.

2. Acquisition of Columbia Stores Limited

By agreement dated June 29, 1973 Fields purchased all of the issued and outstanding shares of Columbia Stores Limited for a cost of $566,472, which was provided from working capital. The cost of this investment is represented by the net assets as shown below:

Current assets	$632,833
Non-current receivables	10,266
Fixed assets, at cost less accumulated depreciation and amortization	170,587
	813,686
Deduct liabilities:	
Current	107,295
Long-term	28,338
	135,633
Book value of net assets acquired	678,053
Excess of book value of net assets acquired over purchase price — applied as a reduction of inventories	111,581
Purchase price	$566,472

At the date of acquisition Columbia Stores Limited operated thirteen retail stores in British Columbia, of which two were subsequently closed.

3. Fixed Assets

	Cost	Accumulated Depreciation and Amortization	Net Book Value 1973	Net Book Value 1972
Land	$ 2,451,097	$ —	$2,451,097	$2,533,546
Buildings	4,851,086	1,149,332	3,701,754	3,775,355
Fixtures and equipment	3,777,935	1,658,041	2,119,894	1,639,302
Leasehold improvements	534,971	172,650	362,321	311,269
	$11,615,089	$2,980,023	$8,635,066	$8,259,472

4. Bank Indebtedness

The company has pledged all of the outstanding shares of Marshall Wells Limited to the bank, and has lodged with the bank certificates of title to certain real properties, as security for short-term and long-term indebtedness.

The company has also provided a letter of undertaking to the bank to provide it on request with the following:

(i) A debenture incorporating both a specific charge on fixed assets and a floating charge on all assets of the company and its wholly-owned subsidiaries, subject to the debenture and mortgages set out in Note 5, and;

(ii) Collateral mortgages on certain properties.

The company has also agreed not to further encumber the assets noted in (i) above without the prior consent of the bank.

Accounts receivable of a subsidiary company are assigned to the bank as security for its bank indebtedness, of which none was outstanding as at December 31, 1973.

5. Long-Term Debt

	1973	1972
6½% Sinking Fund Debentures, Series "A", due May 15, 1982 (interest rate changed from 6% effective August 1, 1973)	$2,934,000	$3,400,000
Bank Loans (see note 4) Payable with interest at the prevailing prime bank rate (9½% at December 31, 1973) plus 2% and maturing at various dates to 1982	4,983,660	5,552,207
Mortgages (secured by a charge against land and buildings with a carrying value of $794,466)		
Payable with interest at 9% and maturing in 1984	321,726	326,660
Others with various interest rates and maturity dates	75,246	48,641
	8,314,632	9,327,508
Deduct amounts due within one year	535,878	636,000
	$7,778,754	$8,691,508

Sinking fund payment requirements on the debentures are $300,000 annually up to and including 1981, with the balance of $800,000 being due on May 15, 1982. The sinking fund payment for 1974 is anticipated to be reduced by $266,000 which is the principal amount of debentures purchased and tendered to the Trustee as at December 31, 1973. The debentures are secured by a first floating charge on all the assets (which at December 31, 1973 had a carrying value of $9,491,005), business and undertakings of Marshall Wells Limited and its subsidiaries.

Payments required for retirement of debentures and other long-term debt over the next five years are:

1974 — $ 535,878
1975 — $ 847,985
1976 — $ 909,459
1977 — $ 971,806
1978 — $1,045,064

6. Share Capital

	No. of Shares	
Authorized —		
Common shares of no par value	3,500,000	
Issued —		
Balance December 31, 1972	2,256,336	$4,990,486
Shares issued for cash on options exercised during the year	5,800	42,750
Balance December 31, 1973	2,262,136	$5,033,236

Certain employees have options to purchase 9,065 shares at $7.20 per share, 600 shares at $12.15 per share and 7,200 shares at $18.90 per share. The total options for 16,865 shares expire in the following years:

1974 — 9,565
1975 — 3,500
1976 — 2,000
1977 — 1,800

No material dilution of earnings per share would have resulted had these options been exercised.

7. Lease Commitments

Total rentals paid in respect of leased premises for the year ended December 31, 1973 amounted to $1,020,699. Minimum annual rentals in each of the next five years, exclusive of additional amounts based on percentages of sales, taxes and other occupancy charges are:

1974 — $1,174,763
1975 — $1,165,394
1976 — $1,070,957
1977 — $ 954,916
1978 — $ 798,121

These leases expire in various years up to 1986, exclusive of renewal periods.

During the year a subsidiary sold a shopping centre property for $850,000; payable $250,000 in cash and the balance by way of a 9½% mortgage of $600,000, which is due on December 15, 1975.

This transaction resulted in a gain of $348,455, net of income taxes of $27,000, which gain has been included in extraordinary income.

The company continues to lease the premises occupied by its retail outlet under the same terms and conditions as existed prior to the sale.

8. Contractual Obligations

The company has an obligation under certain circumstances to purchase for cash the minority interests' share holdings of 8.33% in certain subsidiary companies. The company also has an option under certain circumstances to acquire these share holdings for a prescribed cash consideration. This option expires December 31, 1989.

9. Remuneration of Directors and Senior Officers

The aggregate remuneration paid or payable by the company and its subsidiaries to the directors and senior officers of the company for 1973 and 1972 was $177,000 and $174,366 respectively.

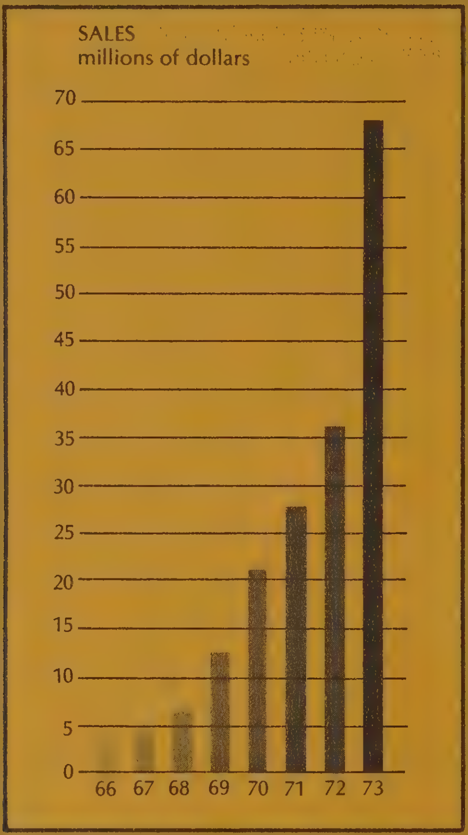
10. Subsequent Event

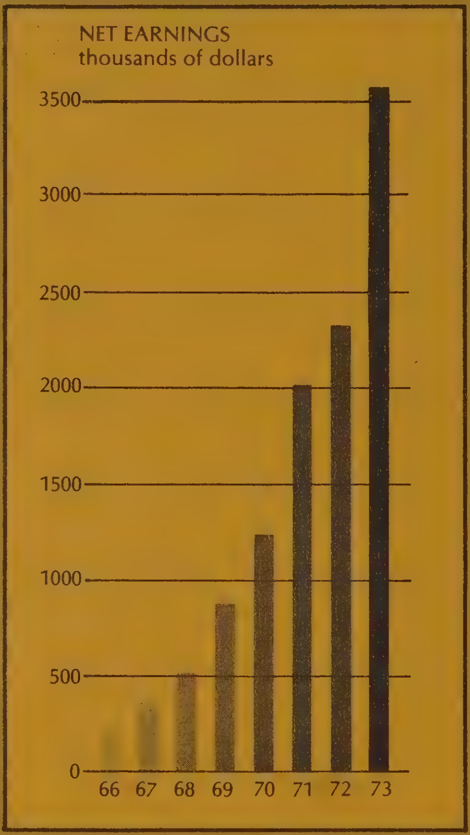
By resolution dated January 11, 1974, the directors of the company declared a dividend of five cents per share payable February 1, 1974 to shareholders of record on January 22, 1974.

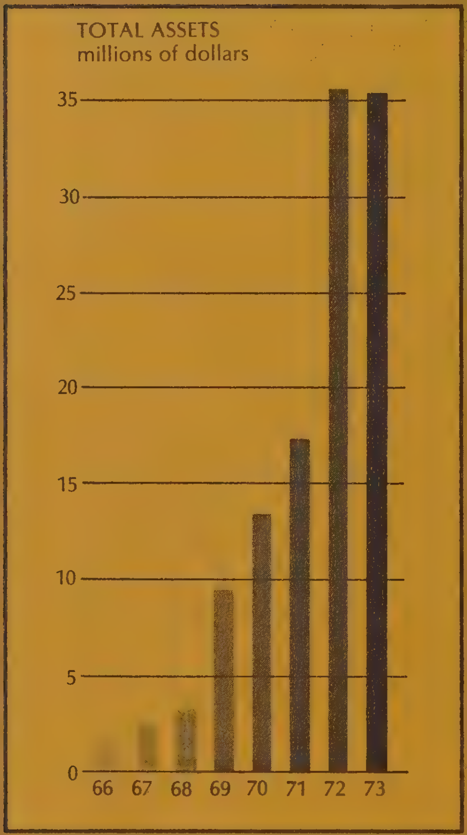
11. Comparative Figures

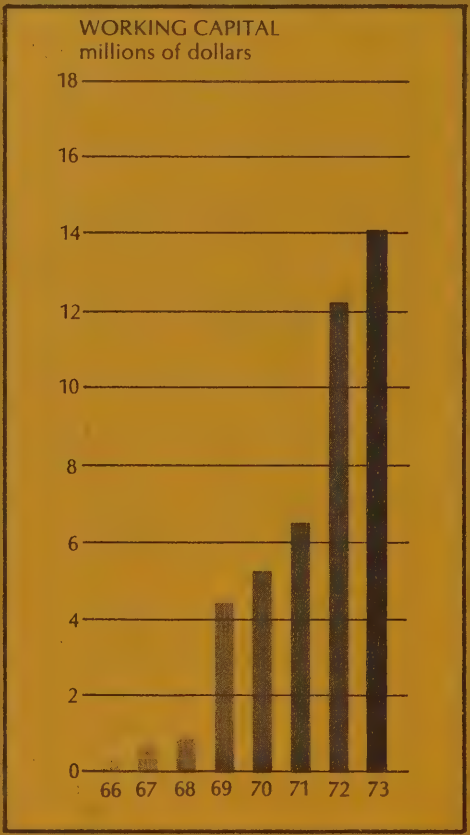
Certain of the 1972 comparative figures have been restated to conform with the classifications used in the current year.

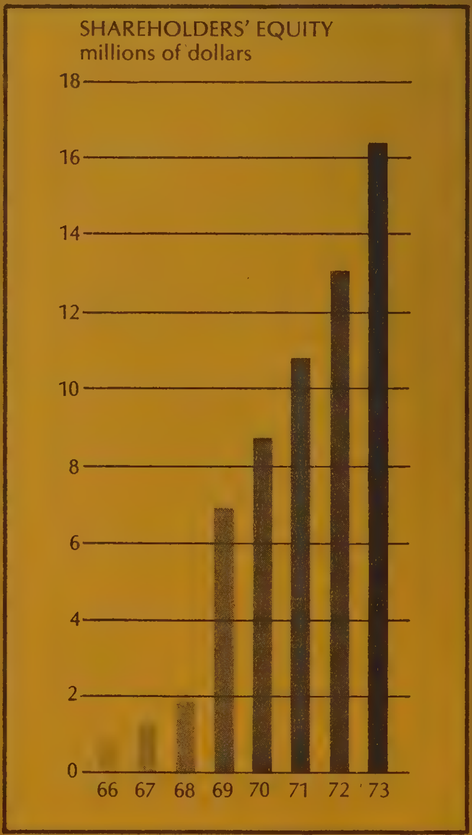
Eight Years of Growth











Fields Stores

With 70 stores in British Columbia and Alberta, Fields Stores Limited is now marketing to a major percentage of the population of both provinces and 1974 has been selected as the year of expansion into Saskatchewan.

The first Fields store in this third Western province is scheduled to open in March, and additional retail outlets will be added in other new areas as opportunities arise.

During the past year the number of Fields stores in Western Canada has increased from 55 to 70. The purchase of Columbia Stores Ltd. on June 29th added 10 new communities to the market area in B.C. and at other times during the year new outlets were opened in Fort St. John, B.C. and in the Alberta towns of Grande Prairie, St. Paul, Stettler and Taber. A pant shop was also opened in Vancouver, B.C. and two former "Merry-Mart" stores were closed.

At the present time there are 58 stores in B.C. and 12 in Alberta.

Since the first Fields store opened, the company's marketing has been centered around family clothing lines and this remains an important part of the merchandising effort. In addition to Fields family clothing stores, there are now also the "Pants Plus" shops, featuring pants and tops in a boutique setting, which have added to the volume of sales in clothing lines.

However, junior department stores are becoming significant as the company expands and the broad range of products marketed through this type of store is an important factor in the integration of lines available from Marshall Wells Limited, which was purchased in 1972.

The full-line department stores in the Fields group continue to be major outlets in four B.C. communities adding to the sales growth of the company.

In Vancouver, a 60,000 square foot department store is known as Fedco. This was expanded in 1973 by 30,000 square feet including an extensive home improvement centre featuring electrical equipment, plumbing and supplies, paints and wallpaper, power tools, panelling and a host of other products for the home handyman. This expansion was also part of the planned integration of lines from Marshall Wells and provides an entirely new service for customers of Fedco.

Marketing surveys and analysis of retail trends indicate that future expansion will continue to place emphasis on family clothing and junior department stores. Current development plans call for the opening in 1974 of from 10 to 12 new stores.

Mass merchandising, on a cash and carry basis, still dominates the company's marketing policies, but both Chargex and Mastercharge are now accepted at all Fields stores. In this way, the company can maintain a low overhead position and at the same time offer the advantages of credit buying to customers who wish to use it.

Retail sales volume from both long established and new locations continues to show a healthy growth.

Pants Plus boutiques operate in a number of Vancouver locations. This one is in Brentwood Mall.

analysis of stores

	No. of Stores	Sales Contribution	Gross Selling Area
Department Stores	4	17%	80,300 sq. ft.
Junior Department Stores	11	29%	223,700 sq. ft.
Family Clothing	49	52%	325,300 sq. ft.
Pant Shops	6	2%	7,350 sq. ft.
Totals	70	100%	636,650 sq. ft.

Paint and wallpaper is a small segment of the home improvement centre at Fedco.

Marshall Wells

Marshall Wells assists dealer stores with the regular publication of flyers and encourages factory representatives with a supplier of the month award for extra contributions which assist retail marketing.

During its first year as a subsidiary of Fields Stores Limited, Marshall Wells has adapted its merchandising methods to tie in more closely with the newer concepts and policies associated with the parent company, and at the same time has maintained the image of dependability and service on which its operations have been built.

During the year, franchise dealers have been offered an ever increasing range of products and services and many stores have taken on a new look.

As an introduction to Marshall Wells 1974 merchandising programs, a highly successful "Spring Mart" was held in January for franchise store dealers. Over 80 major suppliers made presentations of their products to the dealers at meetings held simultaneously in Winnipeg and Edmonton.

Marshall Wells also operates an industrial and contracting division selling plumbing and electrical equipment, architectural hardware and other building materials to the construction industry. Here also, product lines have been expanded and volume of sales increased, and the division is well equipped to benefit from the growth in industrial and construction activity which is predicted for Western Canada.

The buoyancy experienced in 1973 by Marshall Wells industrial customers is already showing signs of accelerating in the early months of the new year.

Management anticipates a strong market for both dealer and industrial divisions during 1974 because of the all-time high agricultural income forecast for the prairie provinces.

In addition to the stepped up activity within Marshall Wells, the company has also contributed in a significant way to the parent company. Hardware departments are continually being expanded in many Fields stores, assisted by the buying, merchandising and distribution facilities of Marshall Wells.

The company is also currently reviewing its systems and materials handling procedures with the view to increasing efficiency as a preliminary step to undertaking future new development in its merchandising operations.

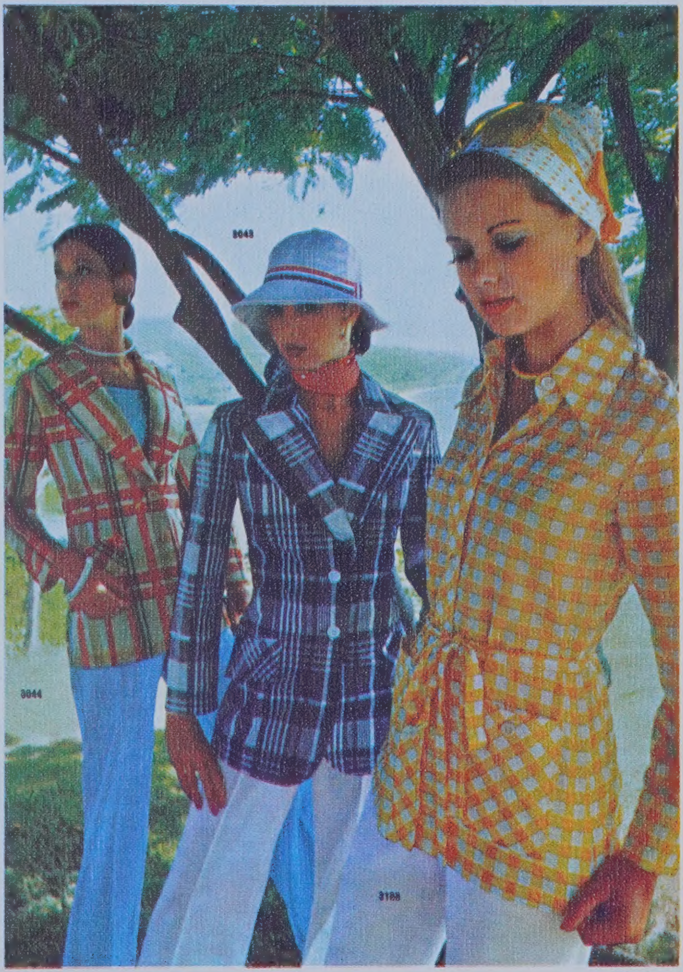
Importing and Wholesaling

The importing and wholesaling division is a significant part of Fields operations and includes three subsidiary companies. These are Diamond & Co. Ltd. with headquarters in Winnipeg, Imperial Imports and J. Leckie Co. Ltd., both operating out of Vancouver.

The largest importer, Diamond & Co., specializes in ladies' children's and men's wear imported from the Far East and marketed to leading department stores, wholesalers and distributors across Canada. Diamond & Co. sells less than seven per cent of its total volume to Fields.

In Vancouver, Imperial Imports has expanded its product lines and now carries sporting goods and recreational equipment along with established products which are canvas and rubber footwear plus the Lafayette line of stereo components and radios. The new lines include such items as bicycles, badminton and tennis sets, air mattresses, umbrellas and hibachis. Imperial markets its products to retailers and wholesalers across Canada as well as to both Fields Stores and Marshall Wells. Much of its merchandise is purchased in the Far East.

The J. Leckie Company, purchased in 1972, continues to specialize in footwear, as a distributor of imported lines from Europe and a wholesaler of Canadian made shoes, boots and slippers for children and adults.



Typical of clothing imported by Diamond and Co. are the ladies' fashions pictured above. At left are some of the new lines carried by Imperial Imports, while Lafayette stereo equipment is featured at the bottom of the page.

Manufacturing

A strong demand for doubleknit men's clothing, along with quality production from Lounge Fashion Clothes Ltd., the manufacturing subsidiary of Fields Stores Limited, has resulted in a most successful year for this division.

The company's doubleknit manufacturing facility has been working to capacity and this trend is expected to continue in view of the recent additional increases in world wool prices. Lounge management feels that "knits" represent the best value in the men's clothing industry and is backing this opinion with a strong "knit" presentation.

Lounge Fashion operates two manufacturing plants, one to supply the quality made-to-measure suits for which the company has gained a considerable reputation and the other specializing in doubleknits. This second facility has been in operation for three years and has enabled the company to diversify its production to place more emphasis on semi-tailored garments and so to expand its markets and meet the growing demand for doubleknits. Leading department stores in Western Canada and many men's wear shops throughout British Columbia and Alberta carry these garments.

With a continuing strong demand for Lounge Fashion production, management is now looking at the possible amalgamation of the two manufacturing plants on new premises. A technical survey has been undertaken in order to assess the advantage of combining the facilities and an engineering feasibility study is underway to find ways of further increasing the efficiency of production.

Lounge Fashion has an established clientele and a 20-year history in Vancouver's garment industry.

Lounge Fashion is making a strong "knit" presentation for 1974.

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